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James T. Anyon

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RECOLLECTIONS
OF THE
EARLY DAYS OF AMERICAN ACCOUNTANCY
1883-1893



BY
JAMES T. ANYON

PRIVATELY PRINTED
1925



RECOLLECTIONS
OF THE
EARLY DAYS OF AMERICAN ACCOUNTANCY
1883-1893



BY
JAMES T. ANYON

MEMBER OF THE NEW YORK STATE SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATE MEMBER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES
MEMBER OF THE AMERICAN INSTITUTE OF ACCOUNTANTS

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WRITER'S NOTE



I HAVE often been asked by accountants who not only take a deep interest in their profession as it is practiced to-day, but love to hear something of its distant past, to write an account of the early days of the profession in this country, its beginning over forty years ago, the quality and character of the men connected with it, the nature and extent of the work they did, and of course any odd or interesting personal experiences I met with during that early period. This request has been made of me I presume because I am supposed to be the oldest practicing accountant in the States, practicing I mean in a public capacity. On this point, however, I cannot make any positive statement. I have, therefore, written this account rather "by request" than for any other purpose, and I trust it may be of interest to some readers and probably in certain respects instructive.

I wish to add that I do not claim any literary merit whatever for these writings. That is not my forte. They were composed mainly on the trains passing between New York and Atlantic City, and as railroad traveling is not as a rule calculated to produce an overabundance of inspiration, any faults in expression or defects in phraseology in this little work, must to a large extent be attributed to this circumstance. I hope therefore, these writings will be accepted just as they are and as the best I was capable of producing.

J. T. A.

PART FIRST



PART FIRST

Beginning of the Profession—Establishment of the First Public Accounting Firm, 1883—Personal Experiences in the Early Days of the Profession, 1886-7—Formation of the American Association of Public Accountants—My First Long Business Trip.



PUBLIC Accounting in this country as a profession, I have reason to believe, had its birth some time between the years 1880 and 1883. I have been unable to find so far the name of any firm or practitioner who posed as a Public Accountant prior to that period. My present firm was established in the last of those years, namely, 1883, and in writing these Recollections I hope I may be pardoned if before proceeding with the subject of the profession proper and its early history, I first give a brief account of the circumstances attending the firm's formation in that year and the initial period of its existence. I wish to do this because the firm was, more or less, an important element in the profession and its development at that time.

Unlike a good many things when first conceived which require thought and time and calculation before completion is effected, the firm of Barrow, Wade, Guthrie & Co. was of somewhat sudden and spontaneous creation. It was founded in the year above named, by Mr. Edwin Guthrie and Mr. Charles H. Wade, members of the firm of Thomas, Wade, Guthrie & Co., chartered accountants of London and Manchester, England, and its formation came about in this way: Mr. Edwin Guthrie, acting in the capacity of receiver in

the case of a certain bankrupt financial concern in England in the year named, found it necessary to proceed to this country to enquire into the value and status of certain property and assets which the bankrupt concern owned on this side. On arriving here his first thought was to find a good accounting firm whom he might employ to assist him in his investigations. He made enquiries in this direction and discovered that not only was the profession of accounting as it was understood and practiced on his side practically unknown in this country, but there was no such thing as a responsible accounting firm upon whom he could rely for any assistance he may require in his work. His attorneys in New York informed him that he did not need accountants, and that they would attend to all matters, both legal and accounting, in connection with his case.

A man of Mr. Guthrie's type of mind, a trained accountant and a thorough business man, saw an opportunity in this great and important business center, and he at once determined to establish an accounting practice in New York City, which, as far as he could then see, would be the first of its kind in this country.

In his efforts in this direction he met, through the good offices of his attorneys, a Mr. John Wylie Barrow of this city, an estimable American gentleman of culture and refinement, and held in the highest esteem by all. Mr. Barrow was an actuary rather than an accountant, and when Mr. Guthrie met him, his main business was in connection with certain British fire insurance companies, being employed by them to check the vouchers, and certify to the clerical accuracy of the monthly statements prepared by the Branches here before being sent to the home offices abroad. This work constituted his only practice.

After the necessary conferences and enquiries had taken place a partnership was formed in October, 1883, by and between John W. Barrow, Edwin Guthrie and C. H. Wade, known as Barrow, Wade, Guthrie & Co., Public Accountants, New York, the English partners supplying the necessary working capital.

The nucleus of this business was not large or important. It was merely the work (with some additional auditing modifications) hitherto done by Mr. Barrow for the insurance companies before referred to, together with the "hopes" of the members of the new firm that other matters of an accounting nature would develop in due season. Here then appeared to be the first step in the beginning of the great profession of public accounting in the United States of America.

After Mr. Guthrie had finished his work and left for his home in England, the firm opened offices in the old Equitable Building, and commenced practice, moving later on to 45 William Street, New York City. Mr. Barrow took in association with him as his chief assistant, one Oscar E. Morton who was, clerically speaking, a good man and had some knowledge of insurance work, but there is no evidence that his ability ran in any other direction. With this simple foundation the firm worked on in the even tenor of its way, keeping its own but gaining little, and the "hopes" of other matters developing, before referred to, materialized only to a very slender extent.

Business thus went on up to the Spring of 1886, when the English partners were notified by cable that Mr. Barrow had died and Mr. Morton was conducting the business of the firm in his place.

This news naturally came as a great shock to the others, and in the interest of the business, and to preserve and keep

it intact, it was decided that Mr. Morton should be made a partner, and practically take the place and interest in the partnership of the one who had passed away. Matters thus proceeded apparently without any impairment till the early autumn of that year when certain reports reached Mr. Guthrie and Mr. Wade, which had the effect of reflecting somewhat on the integrity and loyalty of their new partner Morton, and as at the same time they received notification that it was the latter's intention to retire from the firm at the expiration of the requisite time notice, Mr. Guthrie determined to make another visit to this side and get the affairs of the firm properly adjusted.

He sailed in October, 1886, and brought me along with him to act first as a senior assistant in the New York office and later as a partner. At the time of his sailing he did not know what subsequently proved to be the case, viz., that since the death of Mr. Barrow, Morton had been doing all that was possible to get the business in his own hands, and divert from the firm to himself individually the few clients whose patronage the firm enjoyed. As stated, Mr. Guthrie was not aware of these things at the time he left England and on arriving here, and presenting himself at the office of the firm on the morning of October 25, 1886, he was much surprised to be accorded a very frigid reception by his partner Morton. As for myself, the advent of my arrival at the office on the same day turned out to be somewhat of a dramatic event.

Monday, October 25, 1886, was probably the most momentous day in my life. It was the beginning of a new career, a new existence in a new and comparatively strange country. I had left behind me old and loved associations and new ones were to start from that time. Was the future to mean success or failure, that was the question uppermost in my mind, and

not possessing a particularly sanguine temperament the answer was vague and indefinite.

I started from my hotel early in the morning of the date above given to find my way to the office of the firm, 45 William Street. The day was cold and gloomy and this circumstance naturally did not tend to lessen my general feeling of anxiety and loneliness. The new conditions and surroundings impressed me greatly. Everything was strange and novel compared to the quiet northern town in England from which I had come. The activity about the streets was greater; the people seemed more alert, active, and aggressive than those at home, and considering I knew no one from one end of the country to the other, I felt a veritable stranger, and almost an intruder. My anxious feelings can therefore be imagined when I entered the building of the firm in William Street. I found there Mr. Guthrie conversing with Morton. Mr. Guthrie attempted to introduce me to him, but he declined to take any notice of this, and gruffly ordered me out of the office. What followed is perhaps best expressed in the language of a complaint subsequently filed by Mr. Guthrie, under the advice of his attorney, in the New York Supreme Court praying that Morton be restrained from doing the objectionable acts and things of which he was alleged in said complaint to be guilty.

The complaint states:

“That the plaintiff Guthrie has employed in the service of said co-partnership, James T. Anyon, and has ordered him to work upon the business of the co-partnership at the place of business in William Street, and that, upon said Anyon arriving at the office to begin work, the defendant, Morton, ordered the said Anyon to leave the office forthwith and called a policeman to remove him but that, at the moment when the policeman called, the said Anyon was not in the office, having temporarily left the same;

"That, prior to the return of the said Anyon, the defendant locked the doors of the outer office of the firm so that he could not re-enter the office for the purpose of reporting to and talking with plaintiff Guthrie or receiving instructions from him;

"That the plaintiff Guthrie having duly applied to the defendant for the opportunity to examine the books of the firm, the same were refused to him, the defendant referring him to his lawyer, whom he did not name, as his only answer, except that the said defendant did refuse to permit the plaintiff Guthrie to examine the books.

"All the said acts occurred on the 25th day of October, 1886.

"And in addition thereto the defendant, Morton, did on the said day instruct the chief clerk in the office of the firm, without reference to the right of entry of either the plaintiff Guthrie or said Anyon, upon his leaving the premises, to lock the door to the office, thereby excluding the plaintiff Guthrie and the said Anyon, as well as such clients of the firm as might wish to confer with them, from the use of the premises;

"That the relations between the plaintiff and the defendant are strongly unfriendly;

"That on the 26th day of October the defendant, Morton, locked the door of one of the firm's offices and has ever since prevented access thereto;

"That the plaintiffs are informed and believe that the defendant has endeavored to divert from the firm to himself individually the clients of said firm, so that on the termination of the firm the clients who now are, and have formerly, been the clients of the firm shall become his individual clients;

"That the defendant be enjoined to permit the said Anyon mentioned in this complaint to act under his employment as a clerk of the firm and to occupy during business hours, and such other hours as may be indicated by the said Guthrie, the premises occupied by the firm in William Street; and further, that any other clerks and assistants who may be employed in the business of the firm by the said Guthrie the defendant is enjoined to permit to occupy the said premises and not to interfere with them in any way whatsoever."

After the exciting events of this my first day at the office of the firm as above related, and for some days thereafter during which time I was confronted with the prospect of the reappearance of the policeman and his terrors, and when, moreover I expected Morton might decide to use physical force to settle his troubles and objections to my presence, I

never lost courage nor was I afraid. Morton was a far bigger man than I and I could see that his heart was tempted often to get at me in a physical way, but fortunately he did not resort to this, and when I say fortunately, I mean fortunately for him as well as the good name of the firm, for I had plenty of pluck and in my inner heart had a secret feeling I would love to have had the encounter.

These difficulties and differences with Morton, involving also the settlement of the ownership of the goodwill of the business, resulted in Mr. Guthrie filing the complaint in the New York Supreme Court already referred to. In this complaint he asked, among other things, for the appointment of a temporary receiver for the firm pending the adjustment of the several matters in dispute between the partners. A decision was later rendered by the court, granting the petitioner relief on all the points involved, and consenting to the appointment of a receiver. This receivership lasted several months, during which time all matters were settled, and Morton made his exit and disappeared as a figure in the affairs of Barrow, Wade, Guthrie & Co. for all time.

When the disturbing influences as above related had subsided somewhat, I turned my attention to practical business matters and particularly to an enquiry as to how the profession stood in New York.

I had left on the other side a profession full of vitality, one that was looked upon as an essential element of business life, and so recognized in every section of business activity. It need not therefore be a matter of surprise when I say that it was natural I should expect in this great and progressive country to find relatively the same conditions in the respect named as existed in the country I had left. A general survey of the situation, however, soon made the fact apparent that these

conditions existed here only to a very limited extent, that public accounting was in its infancy and that it was little known or understood as a distinct profession.

As might be expected under such circumstances, my chief thought was to find out and become acquainted with the men then engaged in the profession, and to learn the kind and quality of work they performed. With this object in view I sought all available sources from which I might obtain the required information. A careful examination of the city directories, a scrutiny of the advertisements in the financial papers, enquiries from the few business men I had become acquainted with, and finally a talk with the firm's attorneys in the hope of obtaining some enlightenment on the subject, soon satisfied me that there were very few persons engaged in the profession, no more in fact than could be counted on the fingers of one hand. There was a firm called Veysey & Veysey with a staff of two or three assistants, another practicing under the name of Jas. Yalden & Co., a man named Louis M. Bergetheil, one named H. M. Tate and another, I believe the best of all, Geo. H. Church. In Philadelphia the late John Heins seemed to be the only representative accountant in public practice in that city, and in Boston a man named Rodney McLaughlin played a corresponding part. These with a few others who could not be determined or located at the time appeared to be the sole exponents and representatives in this great country of a profession that in a comparatively few years was to become so important and essential to the needs of the business world.

The next step was to put myself in communication with all these men which I proceeded to do either personally or by letter, pointing out to each one that I had just come to this country from the other side to join them in the conduct of the

profession of accounting, that I was sure they would like to see it better known, understood, and recognized by the public, and that with a view of considering what might be done to attain this object I suggested that it might be desirable for them to meet myself and Mr. Edwin Guthrie on a certain appointed afternoon at the firm's office, 45 William Street, to discuss the matter. One and all showed the greatest enthusiasm and interest in the proposal and agreed to attend the meeting.

On the afternoon in question the gentlemen invited came at the appointed time. There were about six or seven present including Mr. John Heins who had purposely travelled from Philadelphia to attend. They were not all practicing accountants, but all evinced a decided interest in the subject of accounting. One of these was Colonel C. E. Sprague, president of the Union Dime Savings Bank, 31st Street and Broadway, New York. Colonel Sprague was a lover of anything connected with accounting and took a keen interest in the fortunes of the profession. Several others professed to be accountants but took no part in public practice. The situation seemed novel and at the same time interesting to those present, and a general air of expectancy was apparent all around.

After formal introductions to each other and to Mr. Guthrie and the passing of the usual compliments, the meeting got down to business. Mr. Guthrie was asked to take the chair and I to act as secretary of the meeting. Mr. Guthrie gladly complied and proceeded to address those present, his remarks being, in substance, as follows:

“That it was a great pleasure to him to be able to visit this country again in connection with the affairs of his firm; that it was a great privilege to him thus to have this opportunity

of meeting the accountants practicing in this and other cities; that he was sorry, however, to find that the profession had not materially progressed in public recognition, or in other ways, since he was last here; that in England, on the contrary, the profession was on a very high plane; that it was recognized as one of the leading professions—firms, corporations, banks, railroads and other financial and commercial entities seeking the services of accountants in all phases of activity; that the efforts of practicing accountants in this country should be directed toward bringing about a similar condition, and that he believed, some similar institution or body to that now existing on the other side, viz., the Institute of Chartered Accountants in England and Wales, could be started here under the regulations of which competent accountants could practice and be recognized by the public as fully qualified so to do.”

It is needless to say Mr. Guthrie's remarks were listened to with great attention, and all freely admitted that his address had given rise to new life and zest and a keener desire for greater things. The meeting then settled down to business and discussion, and finally a resolution was proposed by Mr. Heins and put to the meeting to the effect that the accountants here present should form themselves into an association for the advancement and protection of the interests of the profession, and that the qualification for membership should be ability and fitness to practice in a public capacity.

This motion was seconded and it was further proposed (and I had the pleasure of making this proposal) that the name of this association be the American Association of Public Accountants. This resolution was passed unanimously, and thus came into existence in the month of December, 1886,

the first organized body of professional accountants in the United States.

Early in the year 1887, I became a partner in the firm of Barrow, Wade, Guthrie & Co. along with a Mr. E. H. Sewell, an actuary, who was later retired, and as might be expected I was pleased and proud to be raised to this position.

The clients the firm had at this time were very few. The one we prized the most, and felt proud in keeping, was the New York, Ontario and Western Railway Co. This company was the first railroad in the United States to employ public accountants to act as auditors and to certify to the correctness of its annual statements to its stockholders. My firm has acted in this capacity ever since, and I believe there has never been any criticism of its accounting methods or any fault-finding with these statements on the part of its stockholders during all these years. Other clients we had were, The Royal Insurance Company of Liverpool; The British and Foreign Marine Insurance Co.; The London Assurance Corporation; the Sun Fire office; York Street Flax Spinning Co., and several others.

With this very moderate volume of business as a nucleus, I launched out as the head of the firm on my new career as a practicing accountant in this great United States of America, full of ambition, a love for my work, and a determination to make good. I had the advantage of being a fairly good accountant, but the disadvantage of being an Englishman, for the people generally, at that time, did not take very kindly to men of this nationality. They were looked upon as rather slow and stupid and while admittedly honest, were not considered over capable. Besides there was somewhat of a national feeling of prejudice against Englishmen, arising I think in the old Colonial days, which was still apparent. It

was a fact, nevertheless, in spite of this feeling that if any real and important accounting work had to be done, it would in the majority of cases be given to the foreign trained accountant in preference to the native one. The usual explanation for this was that the giver of the work had greater confidence in the precision and accuracy of the work of the foreigner, and greater faith in the honesty of his conclusions. This may seem rather an odd statement to make, and while it was true then, it is gratifying to know this discrimination no longer exists even to a slight extent in these times, as both native and foreign-born accountants equally represent the highest point of efficiency and integrity in their professional work.

By reason of the limited amount of business my firm had to start with, as already stated, I could not afford to engage any assistant in the office beyond the employment of an office boy. I was, therefore, called upon to fill the several roles and discharge the duties of the following offices—Accountant, Acting Auditor, Correspondent, Cashier (this latter position did not take up much of my time for reasons quite obvious), Firm Bookkeeper, Writer of Reports, Traveller, Timekeeper, Computer of customers' bills for service, and in fact, everything but dusting the office desks, filling the ink stands, mailing the letters and doing other minor things which were the duties of the boy.

For the whole of this service, and the fact that I was a partner, my salary was fixed at \$208.33 per month. My total annual income, therefore, was salary \$2,500, and a proportion of the net profits of the firm, if there were any; and this I had very grave doubts about at the time. However, it was very gratifying to find that at the end of the first six months, viz., June 30, 1887, the operations of the firm including all

the departments above referred to, resulted in a gross service credit of \$4,842.08 and a net profit, after charging my salary of \$1,250 for the half year, of \$2,133.50. I state these particulars just to show how simple and moderate the business of an accounting firm was in those years compared to the many and wonderful firms of to-day.

Now how did I regard the future? A keen desire to make good and my firm a success, an ardent love for my profession and a resolve to seize every opportunity to have it better recognized, were the influences that dominated my business life and led me to believe the future was safe. In this spirit I was ready and willing to take up any professional work, at any time and go anywhere to do it, not just for the remuneration to be received but also because it appealed to me as meaning an advance in and better recognition of the profession I was devoted to. I remember well those early and younger days, full of ambition and enthusiasm, ready for anything. I felt I would cheerfully have gone to the North Pole in winter or amongst the savages of southern Patagonia in summer, if it was business to me and my small firm, and meant some advance in the profession itself, however small this might be.

As bearing upon what I have just said, the thought has occurred to me that I might be pardoned if at this point I digress a little from my main subject to tell the story of one of my early professional appointments involving a long trip away from New York, the first of its kind I had then made. I wish to do this not only because it will serve to illustrate what I have already stated, namely that I was willing to go anywhere at any time in the interests of business and the profession but also because the trip, full of novelty and unusual occurrences, was a most interesting experience and

impressed me a good deal at the time, and its recital might also be of interest to others. I have purposely given the narrative in rather lengthy detail, and hope it may not prove too boring to the reader in this respect.

My appointment required me to proceed to a certain point in the southern state of Alabama rejoicing in the unclassic name of "Mills Camp," my accounting duties being to verify certain figures and data pertaining to the operations of an extensive lumber business situated and conducted at that place.

I started from New York in the evening of a late autumn day, my objective point being the city of Chattanooga in the state of Tennessee, and there I arrived in the early evening of the next day. From that point I found I had to take a semi-local train going south to reach my final destination, the train, I learned, being scheduled to start at 9.00 P.M.

Long before that hour, having nothing else to do, I arrived at the designated railway station and proceeded to the waiting room. I found there were two, one having the word "White" inscribed over the door and the other the word "Colored." Being quite inexperienced in southern methods, I did not precisely know the difference between the two but selected the one marked "White" and walked in. The room was not by any means alluring in appearance. It might have been cleaned sometime during its past career but this certainly was not of recent occurrence. It was stained, grimy and forbidding, dimly lighted by two solitary gas jets, a wooden bench running round the place and an iron stove in the center. Here I sat to await the arrival of my train at 9.00 o'clock. That hour approached but there was no sign of anything, not even of any life about the station. I waited on, yawned, got nervous and still waited till nine-thirty, ten, ten-

thirty, eleven, eleven-thirty and no train, and just before twelve o'clock, three hours late, came slowly lumbering and fussing into the station the belated object consisting of one snorting engine and three worn out looking coaches, and as for a sleeping car, not to be thought of.

I wish to say at this point that the ease-loving luxurious accountant of to-day must not imagine that travelling on the southern railways thirty-six years ago offered the same comforts as one finds now. Trains were slow and unaccommodating. Sleeping cars were known but not by any means the order of the day. Time and punctuality were elements hardly considered essential to good railroad management, the result being that trains were anything between two hours and, I was about to say, two days late in leaving or arriving at appointed places. I was very lucky, therefore, in being detained there only three hours after the schedule time.

I hurried to the platform and anxiously enquired of the man in charge of this transport if it stopped at Mills Camp. He replied it didn't, but if I wanted to get off at that point he would stop the train specially to accommodate me. I thanked him, asked him to do this, and also to be good enough to notify me when we arrived there. I also ventured to enquire if he knew whether or not there was a hotel at Mills Camp. He looked at me curiously with the shadow of a smile on his countenance and replied emphatically, "No there is not." Uncomfortable and uneasy I entered the car along with two other passengers and settled down on a hard rickety seat and waited. In the fulness of time the train started, hesitated, started again and finally got fairly under way, rumbling along at a slow monotonous gait which soon produced a feeling of drowsiness and I found myself alternately sleeping and waking. Thus we proceeded for some time when I became vaguely

conscious of a gruff voice saying, "Say, mister, if you want get off this train at Mills Camp, I am stopping it only for you, you better get going." It was the gentle voice of the brakeman. I got up with a start, grabbed my bag, involuntarily took out my watch (it was half past two), and noticing the train was gradually slowing down hurried through the dimly lighted car to the door. It stopped and on a cheery "good night" from the brakeman who let me off, I alighted, not on the trim platform of the usual well regulated railroad station, but on the bare, wet, soggy ground.

I stood there till the train passed on and disappeared in the darkness, and I shall never forget the feeling that then came over me as I found myself standing utterly and completely alone in what appeared to me to be a lonely and abandoned place, not knowing just what move next to make. The night was intensely dark, a drizzling rain was falling, not a light was to be seen in any direction, no sign of life or anything indicative of man's existence anywhere. The silence of the place was oppressive, broken only by the distant sound of barking dogs and the occasional hollow mournful cry of some strange night bird in the adjacent forest. Through the darkness I thought I could distinguish the outlines of what seemed to me dense woods and nothing else. The whole surroundings had the atmosphere of desolation. I stood there practically motionless, not daring to venture one step in the black darkness for fear of the uncertainty of the situation. I did not call out for I felt the only response would be no more than an echo so I stood and remained silent. How long I was in that position I cannot now remember, possibly not long, but it seemed interminable till finally, to my great relief, I became conscious of some one approaching, evidently a man with a lantern, for I could see the thin streak of light passing through

the air as he swung it to and fro in his walk. The light and the man drew near and then flashing the lamp suddenly on me, said, "I suppose you are the young man from New York which Mr. Howard, the manager, expected last night. He waited up for you till twelve o'clock, but as you didn't arrive went to bed and ordered me to watch out and take care of you till morning. My name is Williams. I'm one of the night watchmen in this camp so I'll try make you comfortable till morning. I think you better follow me." I obeyed and followed in the rain, the man and the light leading the way. Through side paths and by paths, through brushwood and fallen branches, over soft, wet, muddy ground, across open spaces, around clumps of trees we went on for some considerable distance, no sound to be heard save the tread of our feet and the continued roar in the distance of the barking dogs, till on a sudden and abrupt divergence of our path I saw a bright fire burning on the ground in a space close to a thick forest some distance away. I said to my guide rather anxiously, "What is that?" "Well," he replied, "I suppose you know that this camp is worked by state convicts. We lock 'em up at night, but there is a few as behaves themselves so we let 'em make a fire outside and sleep around it. They're generally quiet and peaceful. That fire is where we're going to."

We arrived at the place designated and quite a sight presented itself. Around the fire, lying on the ground in all postures and scantily dressed, were a number of stalwart negroes sleeping. I felt an innate nervousness at this sight and said to the guide, "Mr. Williams, did I understand you to say these men lying around are state-convicts?" He replied, "Yes." "What," I further asked, "is about the nature of their offenses?" "Well," he answered, "various. That big fellow over there that's snoring so loud got in a fight down in Texas

and nearly killed his man with his knife. The fellow with the blue shirt on is in for horse stealing and I can tell you he was a dandy at that game. The chap next to him with the scar on his face is here for shooting up a saloon in Alabama City and killing the barkeeper. The others are about the same kind, but generally they behave pretty good here. Now," he went on, "I've got my rounds to make and I'll leave you here. I'll be back in less than two hours and till then rest on this log and make yourself comfortable by the fire and on my return we'll walk up to the manager's house."

Before I had time to say a word he started off to make his rounds, the fallen dead branches on the ground crackling beneath his tread, and quickly disappeared in the gloom of the forest.

I have in my time been in situations of apparent danger and had pluck enough to get out unharmed, but I was never in one so uncertain and one that tested my courage quite so much as this. I will ask the reader to picture this rather unusual scene. I, a quiet every-day Englishman who up to this time had seen and experienced little beyond the simple and ordinary things in life, in an unknown and lonely region at half past three o'clock in the morning, sitting on a fallen log by a blazing fire in the open, huge bats circling around, in company with seven or eight cut-throats of the state, the rain falling copiously, wondering what the end of this adventure was going to be. I agree with the reader this was not exactly accounting work but it was part of the game and I was going to see it through.

I need hardly say I did not sleep. On the contrary, I kept wide awake, on the alert for any move that might be made by these men, but none was made, and as they lay there sleeping peacefully the familiar saying, "There is no rest for the

wicked" came to my mind, but it did not seem to apply. Occasionally one would turn about to get an easier posture, open his big eyes for a minute, look around and again relapse into rest.

It was a great relief to me when the watchman came back about half past five and suggested we might then go to the manager's house.

The early morning light was faintly appearing in the east as we walked side by side over about the same character of ground as the night before. It was during this journey I learned the secret of the barking dogs. They were bloodhounds owned by the state, about six or seven of them, kept in chains at the manager's house during the day but allowed to go partially free at night to guard his home. The dogs were used by the officials of the camp to hunt convicts when any attempted to escape and while they were quiet and tractable to those they loved and feared, were savage and cruel to strangers unless fully under control. As we drew near the house the din and excitement of these dogs became terrific. I felt genuinely afraid and involuntarily seized the arm of my companion who did not seem particularly affected. We finally reached the high barred gate of the house and to my great relief the manager appeared at the door with a huge dog whip in his hand and with a loud voice directed to the animals, ordered them to cease. At the sight of that whip and the commanding tones of their master, the hounds ceased, slunk slowly away and, while still excited, apparently became as gentle and passive as a parcel of subdued children.

The manager greeted me, made proper excuses for the inconvenience I had been put to and invited me into the house. There I took a short and needed rest and later, after breakfast was served, consisting of coffee, coarse bread and roast

possum, I was ready to take up real accounting work. I stayed there three days and then left for home and I need hardly say I was truly glad to get back again to New York and civilization.

PART SECOND



PART SECOND

American Association of Public Accountants—Quality and Personnel of the Practitioners—A Lady Client and the Writer—The Lawyer and his Client.



I WILL now return to the fortunes and affairs of the American Association of Public Accountants. It soon became known around New York and adjacent cities that Public Accountants had taken steps to organize themselves as an association, and a number of letters and enquiries very soon came forward from persons interested in the movement asking what were the requirements for membership, the entrance fees, annual dues, etc. It must not be considered that all these enquiries came from persons connected with the profession of public accounting. Some filled positions as head bookkeepers in mercantile and manufacturing concerns; a few were men who apparently had no particular status in the respect named but who evidently loved accounting for itself and liked to be in association with those who understood and practiced it, while one or two were professors or teachers of bookkeeping who wished to be in touch with anything pertaining to the latter's progress and advancement. One letter was an enquiry as to what the association would charge for a certain piece of accounting work the writer required to have done. This was a good beginning and gave considerable encouragement.

All these things tended not only to give some little publicity to the movement, but also to steadily increase the

membership of the association. At the date of the birth of the latter, December 23, 1886, its members numbered some eight or ten individuals, and from this time forward the increase was steady and continuous.

The interest therein of these members continued unabated. Each worked to do his own part, and all worked in one special direction, viz., to get public accounting better known and the association in a position whereby it would be recognized as having something of a legal status. This was eventually accomplished, and in August, 1887, the association became incorporated under the laws of the state of New York with the name and title of "American Association of Public Accountants."

The by-laws of the association were prepared, approved and adjusted, officers appointed and all other things done to facilitate the start of the association on its new career. Its first president was James Yalden, New York; vice-president, John Heins, Philadelphia; secretary, James T. Anyon, New York; and treasurer, W. H. Veysey, New York. Its offices were in the old Equitable Building, Rooms 50 and 51, for which the association paid no rent, said offices being the ones rented and occupied by my firm in the regular practice of its professional work.

The first council of the association, the members of which were selected to regulate and conduct its affairs, consisted of the following gentlemen:

AMERICAN ASSOCIATION PUBLIC ACCOUNTANTS

MEMBERS OF FIRST COUNCIL

James T. Anyon, New York City

Louis M. Bertheil, New York City

Geo. H. Church, New York City

John Heins, Philadelphia
 Mark C. Merick, New York
 Rodney McLaughlin, Boston, Mass.
 C. H. W. Sibley, New York
 William H. Veysey, New York
 Walter H. P. Veysey, New York
 James Yalden, New York

The by-laws of the association provided, amongst other things, that the members should be divided into two classes, styled, respectively, "Fellows" and "Associates," the Fellows to have the right to use after their names the letters "F.A.A." and the Associates the letters "A.A.A." to designate their degree of membership.

It was provided that "Fellows shall be (1) the original incorporators of the association and those who subscribe to the constitution and by-laws; and (2) all persons who have practiced as public accountants continuously for three years previous to their admission to membership in the association."

"Associates shall be all persons who obtain a certificate of their having passed the final examination hereinafter provided for."

The entrance fees payable by a "Fellow" were \$100.00, one-half on admission and \$50.00 on call of the council at any time after two months. By an "Associate" \$75.00, viz., \$25.00 payable on admission and the balance on call of the council any time after two months.

Other provisions in the by-laws concerned the powers of the council, meetings of the association, examinations, and so forth. One of the provisions appeared to be almost the equivalent of the council being called upon to make an annual in-

ventory of its members who were actually in public practice. It read as follows:

“The council in every January or at any other time, and in such manner as they may deem reasonable, shall satisfy themselves that every member either continues to practice as a public accountant or continues in the employment of a public accountant, and on being so satisfied shall issue to such member a certificate of membership, for which there shall be paid to the council by each fellow \$25.00 and by each associate \$10.00. Such fee hereinafter styled “The Annual Certificate Fee” shall be due and payable in January of each year, or at the date of a member’s election or admission, or beginning to practice, and until payment thereof no annual certificate of membership shall be issued. The Secretary shall keep a register of the members of the association, which shall contain their business addresses.”

At the time of incorporation the association had thirty-one members of whom twenty-four were “Fellows” and seven “Associates.” This number with a few others outside who for various reasons did not or could not join (the main one being that the payment of the entrance fee for the time being stood in the way) practically constituted the total exponents and representatives of the profession of accounting at that time in this country.

It must not be imagined, however, that all these were men in full professional practice connected with firms having regular located offices, the names inscribed on the door, and several assistant accountants as part of their staff as we find in these times. There were a few of this kind but not many. The majority had merely desk-room in other offices with no assistants, a few had their offices (mainly for reasons of economy) in the back parlors of their homes, while one or two

others did not seem to have any visible address anywhere but when wanted were usually on hand.

It may be interesting at this point to study the character and standing of the men then engaged in the profession as a comparison with those who practice it at this time. They can be divided into two classes, the first consisting of a few who stood out somewhat conspicuously from the rest in reliability and proficiency, men who were imbued with the spirit of the profession, and by thought and experience had learned and acquired all there was to be known in connection with it as understood and practiced at that time. The first of these I think was John Heins of Philadelphia, a man who was by natural instinct an accountant, reliable, intense, and a gentleman. Geo. H. Church of New York was of the same type. James Yalden was a good accountant but lacked certain qualities to make him one of the best. Mr. Rodney McLaughlin of Boston, Mr. W. H. Veysey and Mr. C. W. Has-kins of New York possessed many sterling professional qualifications but their knowledge was somewhat limited and I think placed them a little apart from the names first given. There were of course a few other undoubtedly good and proficient men whose names I need not specifically refer to.

The second class were by far the larger in number, and in character and standing of a very mixed order. It will be interesting to study these.

With the limited amount of accounting work available on the part of the public and the relatively large number of accountants ready to take it, business was necessarily scarce, fees were few and far between, and the net result of the work performed was at the best meagre. This condition to a certain extent had its effect on the personal appearance of the class of practitioners I am referring to, the majority of whom

certainly did not look exactly prosperous, and probably impressed prospective clients in that way. I remember the occasion of the first social meeting of the members of the American Association which I attended. The event was to take the form of a dinner to be held at the old Astor House, in lower Broadway, New York. There were about fifteen or twenty members present, many of whom had evidently hired a dress-suit and white tie for the occasion; and taking them all round, their general appearance hardly suggested successful professional men. Nevertheless they all seemed happy, thoroughly enjoyed the occasion, made appropriate speeches, got full of dinner, enthusiasm and cocktails, and altogether had a splendid time.

Although full of zeal, and ambition to excel, the average man of this class lacked personality and impressiveness. He failed to convey to the business man the conviction that he was an expert in his profession, or that he was especially expert in anything. He knew his business in a simple elemental way, but possessed few ideas and little or no vision. He certainly loved what he regarded as his calling in life, and had an intuitive feeling that there was a good deal in it and that some day this would come out and recognition of his services by the public be in evidence. He felt, in any event, that he was in a class much higher than the usual commonplace bookkeeper, although the latter, on his part, had a feeling that the former was not a bit better than himself and, in a good many ways, not as good. He loved to discuss his business with brother accountants and in doing this usually dwelt on the simple little problems that cropped up in his every-day practice. But these were entirely bookkeeping problems and had no semblance at all to the higher questions,

theoretical or practical, that constantly confront members of the profession in these days.

As illustrative of this simple condition I might relate an incident which happened at about the period to which I am referring. The occasion was an informal meeting of a number of accountants, and general accounting things were being discussed. The topic turned on the procedure necessary to be followed in the case of opening up the books of a new corporation, co-partnership or other business. One of the accountants present, who considered himself somewhat of an authority in these matters, and who had been freely expressing his views thereon, was asked by another how he would proceed to open up the books of a trust when a person had died and left an estate. He thought for a moment and then replied: "Well, I should say as there are funeral expenses, the cost of the burial lot, and opening up of the grave, that it would be as well first to open a 'Cemetery Account' and charge all these things to it, and in my opinion that's all there is in the matter."

There certainly were a number of oddities (I was about to say curiosities) among the "professionals" in those times. Here is another and rather amusing example.

The occasion was, as in the other case, an informal assembly of accountants met for general discussion. After a time the conversation turned on the subject of the desirability of accountants being required to pass examinations as a test of their fitness to practice in a public way and as a basis for obtaining degrees in case laws should later be formulated to regulate the practice of the profession. There was general agreement and expression that this would be a good thing to do and one of the accountants present went so far as to state his views of the several subjects such examinations should

cover. In his opinion, he remarked, the suggested examinations should embrace the following: English grammar and composition; arithmetic; elementary branches of mathematics; the theory and practice of bookkeeping and accounts and "I would further suggest," he continued, "that there be one or two other outside subjects, such as, one foreign language, say French or German, and the rudimentary branches of natural Philosophy and Physics." Just as the speaker uttered the word "Physics" an elderly accountant, sitting next to me, and who had been listening intently to what was being said, turned to me suddenly and eagerly remarked, "Mr. Anyon, I know I would pass easily on the subject of physics because I used to work in a drug store."

These professional gentlemen were usually referred to by the general public as "Experts" or "Expert Accountants" and sometimes as "Checkers." It was quite customary for them to advertise their calling in the daily papers and financial magazines, and these advertisements would run something like the following: "John Doe, Expert Accountant, Books written up and balanced, Tangled Accounts straightened out" and so forth. The word "tangled" did seem a favorite word to use, and appeared quite often in these advertisements. However, business men generally, notwithstanding, did not take very kindly to these new "experts" and the service they advertised. If some real accounting or book-keeping problem had to be taken in hand, the average business man would often go to his lawyer, or better still, as costing less money, to his banker, and obtain the services of one of the bank clerks. Just as the general public was not particularly impressed with these experts, so bankers on their part had very little or no use for their services, while lawyers looked upon them more in the light of trespassers on their

own business preserves than anything else, for lawyers in those times did or rather tried to do any special work in accounting matters that now falls to members of the accounting profession.

At the initial period I am writing of, and for a year or two thereafter, the profession did not advance in public favor to any pronounced extent. It did progress somewhat but not in a way and to a degree at all proportionate to the desires of those engaged in its practice. The reason for this I believe was partly the fault of the professionals and partly the fault of the public. The former seemed to be unable, mainly on account of their limited knowledge, to impress the latter that their services were anything different to that which pertained to bookkeeping, and the public on its part showed no disposition to be convinced that such a profession as public accounting was actually a needed one.

A little matter happened about this time which was quite encouraging. I had a request from the president of a large and well known trust company of this city (very prominent at this time) to see him on a business matter. I was very pleased to receive and comply with this request and presented myself at his office. He stated that for some time there had been a rather serious discrepancy in the trust company's books between the customers' deposit balances and the control account, which they had not been able to reconcile and requested me to take up the matter and endeavor to adjust same. I commenced the work and found after a short while a number of clerical errors and finally one of quite a large amount, \$25,000, which sum had been posted in error to the credit of the account of one of the depositors, a man conducting a small business uptown, and which up to that date had not been discovered. I noticed also this error had

been taken advantage of by the depositor who had gradually withdrawn considerable sums until the full credit had disappeared and the account became closed.

The error and the whole situation in regard to it at once became clear. I looked back and could see this man picking up his bank pass book one fine morning (after it had been returned to him by the bank, written up and balanced for the month) to be sure the small credit balance he expected to find, was properly shown, becoming amazed and overwhelmed at the sight of a sum of \$25,000 credited to his account representing a deposit he had never made, and a correspondingly large credit balance at his disposal. I could further see this man gazing at this balance, cogitating and wondering just what he should do and finally concluding he would keep quiet, lay low and await any possible notification from the bank that an error had been made. No such notification came forward, so he proceeded to gradually draw out the money, two, three, four thousand dollars at a time until the full amount was exhausted. On notifying the trust company officials of this situation efforts were at once made to get into communication with this recent depositor, but it was too late, he had judiciously disappeared and like the discreet man he considered himself to be, left no address. Thus the trust company through the error referred to, lost the sum of \$25,000. Now comes the sequel to this. About a week later the president of the company sent for me a second time and stated as follows:

“Mr. Anyon, I have been very much impressed with the great value of the accounting service you have recently rendered my company (as a matter of fact it was not accounting work at all. It was merely work that any intelligent ‘checker’ could have performed just as well as I) and I have decided to

find out from you if you would care to take a position in this company as chief accountant or controller and have complete charge of all our accounting matters.”

The salary he mentioned was very liberal, much larger than the income I then earned from my profession, but I had to tell him that while I fully appreciated the offer of the position he had made me, particularly coming from such a source, I was obligated under a partnership agreement to remain with my present firm for a certain number of years, and as this term had not then expired, I would, in consequence, be compelled to decline the offer.

I have already remarked that this incident, although small in itself, created a feeling of encouragement for I felt that the work of the accountant when better known would tend in each case to develop a larger recognition of the profession on the part of business men we all desired. Here was the case of a prominent man well known in business and financial circles becoming satisfied by this individual experience that the work of the professional man was actually of value, thus giving rise to the conviction that as similar cases developed the profession would be benefitted and take one more step in the right direction.

It is true there were some business men who had a fairly good conception of the character of the profession, and saw advantages in it which when better understood would undoubtedly be of benefit to business at large. On the contrary there were a great many who had very mixed ideas as to just what the business of the expert accountant was, and exactly what he professed to do. Some considered that he was an experienced bookkeeper and no more, others looked upon him as a man whose business it was to detect fraud, embezzlement and stealing, and that his employment was of value

only in this direction, while quite a few had a vague idea that he was merely a man of figures, a rapid and unerring calculator who could add up two or three columns of figures at a time, could tell you immediately the square or cube root of any given number or say off-hand for example what one dollar put out at six per cent compound interest per annum at the time Columbus discovered America would amount to to-day. I will give an example of this type. A lady called at my office one day and announced that she wished to see me on an important business matter. The lady in question proved to be the late Mrs. Hetty Green, whom many will remember as being a rather picturesque figure in this city some years ago. She entered the office and after scrutinizing me fully and carefully said, "I understand from Mr. Williams of the Chemical National Bank that you are an expert calculator and figurer, and can decipher accounts that are wrong." I hastened to assure her that I was not a particularly quick or expert calculator, that I was an accountant. "Well," she replied, "I suppose it's the same thing and I'll tell you what I want," and thereupon set out in a voluble and business-like way to state her case. She was the residuary legatee under a certain will in a large estate and was much dissatisfied with the acts and doings of the executors and trustees of said estate and desired to know if I was sufficient of an expert "figurer" or calculator to find out and lay bare these wrongful acts. I informed her that as an accountant I felt I could do this fully and satisfactorily, but that it was not essential I should be an expert figurer and calculator to do the work properly. This did not seem to satisfy the lady who evidently considered I had failed to prove my case and that by my own showing I was not a fit and proper person to take up her matter for I did not get the work. I learned later she had

engaged the services of one of the Chemical Bank clerks, and probably he succeeded in unearthing by his ability as a "rapid calculator" all the wrong acts and doings of the executors and trustees of which she complained. There were many similar instances and each one tended to indicate the somewhat distorted conception many people entertained of just what the accountant's work actually was.

It was therefore not only the character or rather lack of character as well as lack of knowledge on the part of the majority of accountants that tended to retard the advance of the profession in public favor, but another thing of equal importance, namely, the fact that practitioners seemed unable to create in the minds of business men the faith and confidence in their integrity and honesty which is the essence of the profession in these days, and there was some good reason for this.

I feel free to say that in those times there were many practitioners who did not seem fully to realize their responsibility to their profession, or to third parties who might be called upon to act on the results of their work. They did not consider themselves bound to precision and truth in the same degree or to anything like the same extent as their brother accountants of these days. It is most gratifying and satisfying in these times to see how careful and thorough accountants generally are in the presentation of the results of their work, and how strictly they adhere to truth and precision irrespective of the outcome or any outside considerations. Such was not entirely the case in those early days. It was not an uncommon thing to find accountants at times "stretching a point" in favor of their clients (mainly in matters relating to the preparation of statements for presentation to banks or the sale of a business) to show a financial condition more

favorable than was actually the case, and in many instances clients expected them to do this. I remember on one occasion being called upon to check a statement which had been given to the National Park Bank by a borrower in order to obtain further credit (this statement had been prepared by the borrower's accountant) wherein an "asset" appeared for quite a considerable sum under the heading "Cash with Brokers." I found this item actually represented an aggregation of losses arising through speculative transactions of one of the partners in Wall Street, and the "Cash with Brokers" referred to was the total of the cash paid over by the firm from time to time to make good these losses. This was not an isolated case, there were many just like it and here is one probably a little more amusing.

A lawyer walked into my office one day with somewhat of an aggressive air, his manner indicating a certain degree of contempt for the situation generally. He abruptly started: "My name is so and so—I am the attorney for Mr. John Doe and I have here a statement you people got up for his company two weeks ago. I want to say to you, you haven't made up that statement in the way he told you to. You show more liabilities than his company owes; he has \$12,000 notes receivable from his customers and you don't show a dollar for these (he had previously discounted these receivables at his bank), and worse still, he has over \$30,000 of orders on his books, good orders, with a good profit in them, and you have put nothing in this statement for these at all. My client wants you people to make that statement right and when you've done that and included these things as they should be, Mr. Doe will pay you your bill but not before." Of course I waited until he had finished and then the reader can imagine how refreshing it was to be able to give him a full reply, in-

forming him amongst other things that the only mistake that had been made in the matter was that he and his client had come to the wrong firm. It is of course to be understood that in all professions there are the good and the bad practitioners, the staunch, reliable and conscientious ones, and necessarily a number quite the reverse, and at the time I am referring to the profession of accounting had its due proportion of each of the classes mentioned. Time, training, and experience, however, I am glad to say, have worked decidedly for the good in this respect.

While on this subject, I would like to refer to what appears to me to be a unique and exceptional feature as pertaining to the profession of public accountancy, and which seems to set it apart from other professions. I refer now to the work and attitude of the professional accountant and the way these are looked upon by the general public. In their minds his work, so far as quality is concerned, must be faultless both clerically and in principle. A mistake on his part must not be expected or thought of. Men in other professions may at times be guilty of error and their name and standing are not seriously impaired thereby, but the accountant is different; he must not err, he is a man of precision and correctness—and error cannot be forgiven or overlooked. Besides, in his work and findings he must not be biassed in any way in favor of his client, but must keep in mind to the same degree the interest of any second or third party who may be called upon to review the results of his work; in other words, in his work, service and findings he must act just as much for the other man as for his client who alone engages and remunerates him, and in this way only does he preserve his reputation and standing.

PART THIRD



PART THIRD

Qualifications—Men of Figures—The Advent of English and Scottish Accountants—Progress of the Profession—James Stillman and the Writer—Legal Gentlemen and the Profession—A Lawyer and the Writer—Sir Hardman Lever.



IT IS interesting to note the qualifications of the average practitioner in those old times judged in the light and requirements of modern accounting. His were simple and restricted compared to the complex and advanced knowledge of the accountant of today. Questions relating to such subjects for example as the Principles of Costing, Sinking Funds, Reserves, Earned Surplus, Capital Surplus, Fixed and Liquid Assets, Capital and Income Charges, Invested Capital, Working Capital, Depletion, Amortization, Obsolescence, etc., were very indefinitely understood, and as a rule were hardly considered matters coming within the scope of the accountant's practice. Even the important subject of depreciation was in the same class and failed to be dealt with in anything like a scientific way. It was of course generally known what depreciation meant but its application to practical accounting was no more than partly understood. I have in mind the case of an "Expert" at that period who received his early training in the office of one of the large railroad companies, being called upon to testify in the matter of certain litigation connected with one of these companies involving the determination of the actual net earnings of the road in question for a specific period. He was asked by counsel for the opposite side, evi-

dently to test his knowledge of the subject, to define the meaning of the words capital additions, betterments, extensions, replacements and renewals and how he would treat expenditures under these headings as between capital and income. He failed to give a satisfactory reply and was excused from further testifying on the ground that he was not a competent witness. Now while many accountants of moderate ability in these days could give a full and intelligent answer to these questions such were a little beyond the capacity and intelligence of the average practitioner of those days. I would be inclined to say that almost any modern young accountant just through his studies would have no difficulty in dealing with such questions and others of a like kind.

I will digress a little at this point to say a few words on the subject of "Figures" which happens to be one of my pet topics. In the old days, and as a matter of fact to a large extent in these, accountants were often looked upon and referred to as "men of figures." Now just what does this mean in the minds of those using the term? It means a man who deals in and loves figures for themselves, calculates, balances accounts, prepares elaborate statements, looks for errors, thinks figures, sometimes juggles them and always writes and talks them, and in proportion to his skill in this direction so does he consider himself a good and capable accountant. A man of such a type in his general practice is likely to base his findings and conclusions on the figures he finds on records rather than on the facts behind those figures. The latter are paramount, facts and truths automatically becoming secondary. If, for example, he sees on records he is examining a property asset standing at a certain value, he is prompted to accept such value as a truth because the figures say it is so.

The well trained and experienced accountant of to-day on the other hand is not a man of figures in the sense as above outlined. He is rather a man of facts and truths, and figures become subordinate and are used only as a means of expressing such facts and truths. In dealing with accounting matters he is not only skilled in what I may term the technique of accounting, that is figuring, balancing, adjusting and so forth, but understands and applies the fundamental principles governing accounts and their relations one to the other, knows the elements that properly enter into and constitute profits and losses, the underlying theories of capital and income and so on. In any account or statement put before him he does not take the figures at their face value. They are secondary and his thoughts at once center on the questions, what do they stand for, what are the actual facts and truths behind them, and proceeds to examine and adjust them accordingly. In other words, the accountant makes his figures fit in with the facts, the other man the facts to his figures.

Now there are a great many men of figures who imagine they are good accountants in practice to-day. There are also a great many good accountants. The former can usually be recognized by the nature of their reports, filled with figures, accompanied by wonderful and voluminous exhibits that bewilder the layman and leave him no wiser than he was before. The reports of the latter on the contrary are usually of a briefer character, giving such figures only as are needful to state required facts and essential things, and if necessary opinions and views on questions of use and interest to the client concerned. The difference between the two can probably be better expressed and understood if I state what a well known New York lawyer remarked to me some time ago. He

said: "In the course of my professional practice I have seen and read many accountants' reports, and what has always impressed me the most in reference to the majority of them is that they contain lots of figures but no brains." There's the whole of my argument in a nut shell, and before finishing I would like to say a few words to the young, rising and ambitious accountant of to-day who loves his profession. Don't allow yourself to be mesmerized by figures. I agree they are very alluring but be a little suspicious and don't trust them too much. Use figures as little as you can, remember your client doesn't like or want them, he wants brains. Think and act upon facts, truths and principles and regard figures only as things to express these, and so proceeding you are likely to become a great accountant and a credit to one of the truest and finest professions in the land. And one or two words also to those patrons of the profession who at times require important accounting work to be performed, select the man of brains and let the other man do the figuring. There are a few of the first kind and a great many of the latter and the result will be justified if the right one is chosen.

Toward the end of the year 1888 and the beginning of 1889, accountants in practice here experienced a feeling of much curiosity and surprise to find suddenly amongst them a number of English and Scotch accountants engaged in special and important accounting work in connection with a number of industrial undertakings located in this country. These accountants were the representatives of certain prominent London accounting firms who had been sent here to examine the financial condition and earning power of said undertakings on behalf of "English Syndicates" as they were then termed, formed over there to purchase American industrial properties of good standing which could show large earning

power, the object being to incorporate and capitalize these under the English laws and float the securities on the English market. These operations were confined in the first place almost exclusively to American Breweries which in those days were undoubtedly large profit making undertakings. The first of these to undergo examination was the Kreuger Brewing Co. situated in Newark, N. J., which was later acquired by the "English Syndicate," and then followed a number of others, namely, the Rochester Breweries, San Francisco Breweries, Denver Breweries, St. Louis Breweries, Chicago Breweries and several others. I think the first industrial undertaking, not a brewery, examined by accountants and later taken over in the way referred to was the Otis Steel Company of Cleveland. This Company was subsequently repurchased by American interests and operates as an American company at the present time.

As will be seen, the accounting work necessary to be done in the process of acquiring these properties was great and important, and it was performed entirely by foreign accountants. This circumstance had a decided influence for good on the profession at large. In the first place, it had what may be termed an educational effect inasmuch as it gave American accountants more of an insight into the nature and responsibility of the work experienced accountants were called upon to perform, and how they went about doing it. In the second place, it opened the eyes of business men here for the first time to the fact that there existed an important and useful profession in regard to which they had known little or nothing previously, and in respect of which they saw advantages which in the future would undoubtedly enure to the benefit of business at large. At any rate the visit of these men having for its object the examination of the financial affairs of Amer-

ican commercial enterprises, intelligently and thoroughly going over their books and records within a limited time, and completing the work so as to be able to exhibit and report upon the financial conditions and earning power of such enterprises, was naturally a surprise to many and at the same time a novel and instructive experience.

The year 1890 and several years thereafter represented a period of undoubted development and advancement in accounting both in respect of a better knowledge of the profession and its requirements on the part of its practitioners, and also in the fact that bankers and financial men generally began to understand better the nature of its work and service. They were the first to perceive real merit and benefit in the employment of accountants in many business matters, and evinced a willingness to give the profession a larger recognition and to avail themselves of its services.

This feeling was further intensified by the fact that about the period I am referring to or possibly a little later a number of fairly large accounting firms sprang into existence and became established with offices mainly in the city of New York. Some of these firms were of English origin and others purely American. Amongst the former, and one of the first, was the firm of Jones, Caeser & Co. (afterwards Price, Waterhouse & Co. of London) established in 1890. I think it can safely be said that the profession received a pronounced impetus, and recognition became more general on the part of the public soon after the advent of this firm, mainly from the fact that it was appointed in 1891 as Auditors and Accountants to the U. S. Steel Corporation, an event that perhaps contributed more to creating a realization on the part of the business world here as to what accounting and auditing really meant than to any other circumstance up to that time. Of the

American firms that a year or two later on became established and who quickly became prominent and important, and who are still enjoying these distinctions may be mentioned Haskins and Sells; Lybrand, Ross Bros. and Montgomery; Patterson, Teale and Dennis, and several others.

Another circumstance about this time also tended to the further development of the profession. A number of industrial concerns became incorporated under the laws of the various states, and their securities issued and offered to the investing public. In most of these cases bankers employed accounting firms practicing here to make examinations and reports on the financial condition and earnings of these undertakings before offering the securities for public subscription. This work was usually reflected in the form of a short report or certificate given by the examining accounting firm of its findings, and published in the bankers' prospectus.

I believe the first industrial firm so incorporated whose securities were offered to the public with an accountant's certificate attached to the prospectus was the firm of John B. Stetson & Co. of Philadelphia early in the year 1891. Other industrial firms were incorporated in rapid succession and the services of professional accountants became general.

About this time also bankers turned their attention largely to the subject of the consolidation of industrial enterprises, that is, the merging of a number of separate companies engaged in identical lines of business into one parent corporation. Accountants were employed in connection with this work to verify the earnings of each company and together, and to ascertain other financial and operating data for the use of the bankers.

The first ones I think to undergo this process (other than U. S. Steel Corporation) were the Trenton Potteries, embrac-

ing several companies engaged in the manufacture of sanitary ware; the Herring-Hall-Marvin Company, representing three individual safe and lock companies, and the Union Typewriter Company consisting of five separate companies devoted exclusively to the manufacture of typewriting machines.

In the case of the latter company my firm was appointed to make the preliminary examinations and the work was taken in hand. The five separate companies involved were, the Remington Typewriter Co., the Smith-Premier, the Dinsmore, the Yost and the Caligraph, these, I believe, representing the whole of the companies engaged in this line of business at that period.

The work embraced in these examinations was performed by myself with one assistant, and the report thereon finally completed and submitted. I will relate how I later became personally interested in this matter at the instance of a prominent and well-known banker of those days.

The principal for whom my firm was acting in this matter was Ex-Senator Fowler of Jersey City, who held options of purchase from these companies, and had the right thereunder to make full examinations. The report accordingly was directed and delivered to Mr. Fowler. About two weeks after its submission I received a request from Mr. James Stillman, then President of the National City Bank of New York to see him on a business matter.

I had heard in the meantime that Mr. Stillman was likely to become interested in this business and take a prominent part in its promotion and financing, and knowing that bankers generally did not have too much faith in the knowledge and reliability of men of my profession, I felt his object

in wishing to see me was to satisfy his mind on this point and be assured the report was honest in its findings.

I called at his office at the bank in Wall Street as requested, and after some preliminary remarks he addressed me as follows: "I wish to talk with you about these Typewriting companies and the report you have recently made on them, copy of which I have here. I understand you personally visited each one of these plants and made the examinations yourself." I replied "I had." "I also understand that while this report is signed by your firm name, you individually wrote it." I said, "I did." He looked at me steadily and searchingly for a moment and then asked abruptly, "Do you believe in it, and are you willing to accept full responsibility for it?" I was a little taken back by this question, wondering just what was in his mind, but answered, "I certainly do believe in it or I would not have written it and I am willing to take full responsibility." He seemed to be satisfied with this reply and said, "That is all I wish to know, and now I will tell you briefly what I intend to do. I am going to take up this business and incorporate it under the name of the Union Typewriter Company and arrange for its financing. There will be an issue of preferred stock and common stock, and I want you to subscribe for some of the preferred stock in your own name." I naturally hesitated for a moment, fully conscious this was not just an invitation to subscribe, but practically a command that I do so. I still hesitated and finally said, "Mr. Stillman, I am sorry to say I am not a man of sufficient means to make an investment in this or in fact in anything at this time, otherwise I would be pleased to do what you ask." "That needn't trouble you at all" he promptly replied. "I will loan you the necessary money on your note with the stock as collateral." Again I hesitated for a time and then asked

“For how long?” “Just as long as you wish” he answered, “and I will charge you interest at the low rate of only five per cent.” I have always been somewhat of a “sport” in a moderate way in matters such as this, and Mr. Stillman’s attitude, sincerity and desire to meet all my objections impressed me so much that I finally said, “all right, I will subscribe for such reasonable amount as you think I should take, leaving this point entirely to you.” “I am glad you have so decided,” he replied, “and you will hear from me in the course of a few days.”

I must confess I was somewhat puzzled at this conversation, and turning the thing over in my mind concluded that this evidently was the banker’s way of testing my faith and sincerity in an enterprise formed on the basis of what I had personally written and vouched for.

About ten days after this interview a messenger from the National City Bank presented himself at my office one morning, and handed me an envelope containing papers. These I found were a demand note for \$20,000, a short letter requesting me to sign said note, collateral attached thereto consisting of 200 shares First Preferred Stock of the Union Typewriter Co. and 200 shares of common stock given as a bonus. This was something of a surprise to me, for here I was called upon to commit myself to an obligation much beyond my means, and for a sum far greater than I had ever thought of; but as already stated I was somewhat of a “sport,” so I courageously signed the note and handed it back to the waiting messenger along with the collateral. Now I will go on to tell how splendidly Mr. Stillman carried out his part of the transaction.

Some time after this, while the note was still unpaid, a marked depression in business came over the country. Shares and securities of all kinds began to drop seriously in market

value. A black cloud seemed to be hovering over the business and financial world, its effect being felt in all quarters. United States currency was for a time quoted at a premium. Banks refused in many cases to pay out currency for checks or would pay part in currency and part in a New York Clearing House check. In this condition of affairs I became much concerned about my own position and particularly the note obligation I was under with the bank. I expected each day to be notified my collateral had been sold with a request to make good at once the resulting deficiency. But none came and with much anxiety I decided to go and see Mr. Stillman and put myself in his hands. He received me pleasantly and on enquiring just what he wanted me to do, smiled slightly and said, "Nothing; I am not asking you for any money. I promised you you could pay back the loan whenever you wished and I intend to keep my promise. Pay the money whenever you are able to and till then, don't worry." Here was a man whose word was kept to the letter, and whose attitude and spirit in this transaction to one so small in the balance compared to himself, was something I could not readily forget.

Gentlemen of the legal profession were the last in line even moderately to recognize that accounting was a separate and distinct profession or that it played any very special role in the affairs of the business world. They persisted to the last in looking upon the accountant as no more than a well informed bookkeeper, and held a quiet contempt for his pretensions that he was anything else. As an example of this feeling, I will relate a somewhat amusing incident which happened to me.

I was subpoenaed to appear and testify as an "expert" on behalf of the creditors in the case of a fraudulent bankruptcy where it was claimed that the debtor had illegally and im-

properly drawn large sums from his business to the detriment of his creditors at certain dates when he knew he was in a bankrupt condition. His attorney sought to prove that these drawings had not taken place; it was a fact, he admitted, that some moneys had been drawn by the debtor on or about the dates named, but that these were minor sums taken by the debtor for his own personal support and maintenance. After being put on the stand and certain direct evidence had been given, the debtor's attorney took me in hand. His preliminary abrupt question was "You claim to be an expert bookkeeper?" I was a little surprised at this sudden and blunt question and slowly replied that "while I understood all about bookkeeping, both theoretical and practical, I was not exactly a bookkeeper." He came back at me again rather savagely: "It is your business to write up, balance and keep the books of others requiring service of this kind." I replied again that this was not exactly my business—that I was a professional accountant, whereupon he quickly turned to the judge and said, "Your honor—I submit that this witness on his own showing is not a bookkeeper and therefore is incompetent to give evidence in this case and I move that the whole of his testimony be stricken out." The judge took a different view and smiling slightly requested him to go on with his examination. What followed was a little too funny not to relate. The attorney requested me to open to a certain page in the debtor's ledger (the cash book had previously mysteriously disappeared) wherein was found the debtor's personal account. He said, "I want you to look at that account and tell me if it is not a fact according to the account there shown that the debtor on such and such a date drew from his business \$125.00." I replied that according to this account in the ledger before me on the date named the debtor had actually

drawn the sum of \$1,000.00; that the figure 125 was not the amount drawn but the page of the cash book from which the posting had been made. Here was the case of an otherwise bright attorney, who had evidently personally examined the ledger account of his client, taking the first column of figures he saw (which were the cash book posting folios) and had concluded these were the "large alleged drawings" his client had taken out of his business.

Lawyers in these days are not all like the one above, and while in many cases members of the legal profession do recognize the services of accountants as being of special value to them, this recognition is by no means general. This is unfortunate, for accountants are usually ready to consult members of the legal profession on special matters they may have in hand for clients to be sure their opinions and findings conform in every respect to the legality of the case at issue. On the contrary it is rarely the case that lawyers will seek the opinion of accountants in matters where law and accounting play an important part so as to be satisfied that their findings and provisions are in harmony with accounting principles and exactness. I have seen many cases where (mainly in the matter of the preparation of contracts and agreements in commercial affairs) attorneys have failed to prepare these so as to give full and proper effect to the accounting element contained therein. It is obvious that unless the legal part of these instruments fully harmonizes with the accounting part, and each fits in its place, dispute and trouble are likely to be the result and possibly expensive litigation. A very good example of what I am here referring to, viz. the value of accountants to lawyers can be given in the case of one of the former partners of my firm, Sir Hardman Lever, whose services were contributed by the firm to the British Government

during the War in 1916. He was allotted to the Munitions Department of the Government and his services and knowledge as an accountant in the matter of interpreting, adjusting, and settling contracts made by the Government with contractors (these were no doubt correctly prepared from the usual legal standpoint) were such as to cause the saving to the Government of many millions of pounds sterling. This fact was openly stated during a debate in the British House of Commons and for such services he received high honors.

Sir Hardman Lever came to the firm from Liverpool, England, as an assistant accountant in the autumn of the year 1890. He was made a junior partner in 1898 and served the firm in that capacity up to 1922, when arrangements were made for his retirement which was finally effected in October of that year with the full approval of all the members of the firm.

The foregoing is given mainly to emphasize a point I have always had in mind, viz., that it would undoubtedly be to the advantage and interest of the two professions if accountants and lawyers acted reciprocally in cases of commercial and other matters where law and accounting together enter as elements.

PART FOURTH



PART FOURTH

[*Conclusion*]

The Profession and Its Probable Future



I DO NOT think it is necessary for me to trace the early days of the profession any further. This period began in 1883 and practically ended ten years later in 1893. From that time accounting became a real profession. The quality of the practitioner improved, the extent and diversity of his knowledge became greater, and altogether he gave to it a status and an atmosphere it had hitherto completely lacked, an atmosphere that carried with it knowledge, truth, precision, and reliability to an extent it had never before known. Then when these influences became apparent, and it was perceived that they formed the foundation and the real essence of the profession, the public, the banker, the lawyer and business men generally recognized that accountancy was a good and beneficial thing always wanted but which had not reached them till this time. And as the American business man is wise, intelligent, and alert at all times to adapt and take advantage of any beneficial and useful thing as it appears, so from this time on he became a patron of the profession and this patronage has grown and intensified to this day.

Therefore from the year 1893 I must leave to the pen of some other chronicler far more able than I to record the history of the profession and the interesting and far-reaching developments that later took place. He will commence probably by recording how the efforts of the members of the

undertakings where the public and outsiders are interested, to have their operations audited, analyzed, and passed upon by legally authorized auditors qualified to do this work, and lastly that their services will be sought to audit and check periodically the accounts and records of municipalities and the departments of the federal and state governments. In other words true accounting, born of precision and exactness, will permeate in the future all mercantile and financial matters where truth, accuracy and honesty of purpose are the requisites.

When that time arrives the profession of accounting will at last have come fully into its own and although that day may not be far distant, I fear it is not for me to see.